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Nanking, China
May 4, 1946

MEMORANDUM FOR MR SMYTH:

Following extract is from a message sent me by Colonel Carter. Please give me your comment in the form of a reply to Colonel Carter.

"2. In an SSU Report of 13 April, originating in Shanghai, the following paragraphs appeared:

At the end of the first week of April, the Americans in Peking were very apprehensive about the future work of the Executive Headquarters, fearing that full-scale civil war might break out in Manchuria at any time and that the efforts of the Executive Headquarters might break down completely. Americans in the Executive Headquarters regard General Marshall's immediate return to China as imperative if the rapid deterioration of the present political situation is to be halted. The feeling is that General Marshall can do it if any one can. However, the Americans in the Executive Headquarters feel that neither the Nationalists nor the Communists are willing to make any real concessions for the sake of peace, and that both sides have been attempting to deceive the Americans by a mere show of conciliation and compromise.

Necessary action has been taken here to have SSU Field Teams in China instructed to report only on foreign intelligence and not on the activities of your mission. In this connection, some concern has been expressed in the State Department about the lack of political intelligence being forwarded from the Embassy. Would it be possible to have the Embassy summarize reports received from outlying Consuls, comment thereon, and submit an occasional review of the situation for the information and guidance of the State Department? This information, especially on Manchuria, would be most helpful to State in considering policy matters before SWNCC."

(Sgd) G. C. MARSHALL